

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS, SUPPLEMENTAL
INFORMATION AND SCHEDULE OF FINDINGS

As of and for the year ended June 30, 2013

TABLE OF CONTENTS

Officials		<u>Page</u> 1
Independent Auditor's Report		2-4
Management's Discussion and Analysis		5-8
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	9
Government Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	10
Notes to Financial Statements		11-18
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		19
Notes to Other Information – Budgetary Reporting		20
Supplemental Information:	<u>Schedule</u>	
Schedule of Cash Transactions – Enterprise Fund:		
Operating and Maintenance Account	1	21-24
Sinking Fund Account	2	25
Improvement Account	3	26
Power Source Account	4	27
Consumers' Deposit Account	5	28
Reserve Account	6	29
Communications Account	7	30-31
Schedule of Indebtedness	8	32
Bond and Note Maturities	9	33
Schedule of Receipts by Source and Disbursements by Function – Cash Basis Proprietary Funds – Enterprise Funds	10	34
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		35-36
Schedule of Findings		37-39

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

OFFICIALS
Year Ended June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenneth Mutch	Trustee	June 2019
Dennis Brubaker*	Trustee	June 2015
Mindy Whitehill**	Trustee	June 2015
Harold Dole	Trustee	June 2017
Jeff Carson	Utilities Manager/Secretary	Indefinite
Mary Harken	A & S Manager/Treasurer	Indefinite

*Resigned June 30, 2013

**Appointed July 8, 2013

Independent Auditor's Report

To the Board of Trustees
Grundy Center Municipal Utilities

Report on the Financial Statements

I have audited the accompanying financial statements of the business type activities and each major fund of Grundy Center Municipal Utilities, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business activities and each major fund of Grundy Center Municipal Utilities, as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

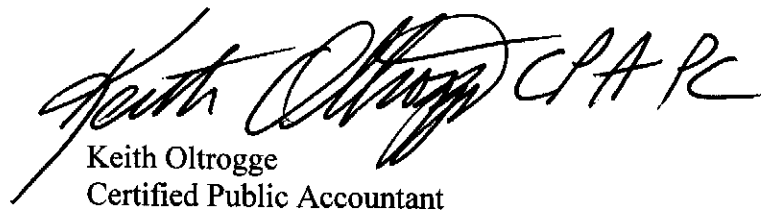
My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Grundy Center Municipal Utilities' basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedule 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 5 through 8 and 19 through 20 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 5, 2013 on my consideration of Grundy Center Municipal Utilities' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grundy Center Municipal Utilities' internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

November 5, 2013

GRUNDY CENTER MUNICIPAL UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Grundy Center Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the Utilities' business type activities decreased 6%, or approximately \$318,000 from fiscal 2012 to fiscal 2013.
- Disbursements decreased 4%, or approximately \$229,000, in fiscal 2013 from fiscal 2012.
- The Utilities' total cash basis net position decreased 3%, or approximately \$242,000 from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Enterprise Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Enterprise Fund financial statements report the Utilities' operations in detail.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year.

Supplementary Information provides detailed information about each Enterprise Fund and the Utilities' indebtedness.

BASIS OF ACCOUNTING

The Utilities maintain their financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the Utilities' finances is, "Is the Utility as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Statement of Activities and Net Position presents the Utilities' net position. Over time, increases and decreases in the Utilities' net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

Fund Financial Statements

Proprietary funds account for the Utilities' Enterprise Funds. Enterprise Funds are used to report business type activities. The Utilities' maintains seven Enterprise Funds to provide separate information for the Electric and Telecommunications Funds, considered to be major funds of the Utility.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of financial position. The Utilities' cash balance decreased from a year ago, decreasing from \$7.283 million to \$7.040 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Position

	Year Ended June 30,		
	2013	2012	2011
Receipts and Transfers:			
Program Receipts:			
Charges for service	\$ 4,508,200	\$ 4,459,915	\$ 4,517,900
General receipts:			
Unrestricted investment earnings	57,690	79,665	152,524
Other general receipts	173,566	518,473	153,515
Total Receipts	\$ 4,739,456	\$ 5,058,053	\$ 4,823,939
Disbursements	\$ 4,982,350	\$ 5,210,941	\$ 5,485,316
Increase (Decrease) in cash basis net position	\$ -242,894	\$ -152,888	\$ -661,377
Cash basis net position beginning of year	7,282,778	7,435,666	8,097,043
Cash Basis Net Position End of Year	\$ 7,039,884	\$ 7,282,778	\$ 7,435,666

The Utilities' total receipts decreased 6%, or approximately \$318,000. The total cost of all programs and services decreased approximately \$229,000, or 4% with no new programs or services added this year. The decrease in receipts was the result of a decrease in other revenues. The decrease in disbursements was primarily due to delayed equipment and improvement expenditures.

INDIVIDUAL MAJOR FUND ANALYSIS

The Operating and Maintenance Fund cash balance decreased \$87,969 to \$2,477,687, due to an increase in equipment and improvement expenditures.

The Improvement Fund cash balance decreased \$238,414 to \$1,879,749 due to the \$247,103 transfer to pay debt service.

The Power Source Fund cash balance increased \$4,501 from interest earned during fiscal year 2013. The Power Source Fund was established to provide funding future power supply needs to the City.

The Consumer's Deposit Fund cash balance increased from \$39,392 as of June 30, 2012 to \$40,490 as of June 30, 2013 due to consumer's deposits.

The Reserve Fund cash balance increased from \$232,443 to \$232,907 during fiscal year 2013 due to interest earned.

The Sinking Fund is used to record principal and interest payments on long-term debt. During fiscal year 2013, \$318,695 was transferred into the fund and then paid out. There is no cash balance maintained in the Sinking Fund.

The Communications Fund cash balance increased \$77,426 during fiscal year 2013 primarily due to an increase in the use of services.

BUDGETARY HIGHLIGHTS

The Utilities' receipts were \$1,279,856 more than budgeted. This was primarily due to the Utility receiving more in charges for service than anticipated.

Total disbursements were \$2,740,000 less than budgeted. This was primarily due to the Utility delaying equipment and improvement purchases.

DEBT ADMINISTRATION

At June 30, 2013, the Utilities had \$130,000 in long-term debt, compared to approximately \$425,000 last year, as shown below.

	<u>Outstanding Debt at Year-End</u>			
	June 30,			
	2014	2012	2011	2010
Revenue notes	\$130,000	\$425,000	\$700,000	\$965,000

Debt decreased as a result of regular payments on the notes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Grundy Center Municipal Utilities' appointed officials and management considered many factors when setting the fiscal year 2013 budget and fees charged for various services. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2013.

These indicators were taken into account when adopting the budget for fiscal year 2014. Receipts are expected to increase approximately 2% and disbursements are expected to decrease approximately 5%. Decreases in equipment and capital improvements represent the largest decreases of disbursements. The Utility has added no new services to the 2014 budget.

If these estimates are realized, the Utilities' budgeted cash balance is expected to decrease approximately \$3,800,000 by the close of 2014.

Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up to date technology at a reasonable cost.

CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Harken, 706 6th Street, Box 307, Grundy Center IA 50638.

BASIC FINANCIAL STATEMENTS

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
Year Ended June 30, 2013

	<u>Disbursements</u>	<u>Program Receipts</u> Charges Services
Functions/Programs:		
Business Type Activities:		
Operating and Maintenance Account	\$ -3,714,132	\$ 3,491,377
Sinking Fund Account	-318,695	-
Improvement Account	-500	-
Power Source Account	-	-
Consumers' Deposit Account	-2,892	3,810
Reserve Account	-	-
Communications Account	-971,131	1,013,013
	<hr/>	<hr/>
Total	\$ -5,007,350	\$ 4,508,200

General Receipts:

Unrestricted interest on investments
Miscellaneous

Total general receipts

Change in cash basis net position
Cash basis net position beginning of year

Cash Basis Net Position End of Year

Cash Basis Net Position:

Restricted:
 Expendable:
 Debt service
 Other purposes
Unrestricted

Total Cash Basis Net Position

See notes to financial statements.

Net (Disbursements) Receipts
and Changes in Cash Basis
Net Position

Business Type Activities

\$ -222,755
-318,695
-500
-
918
-
41,882

\$ -499,150

\$ 57,690
198,566

\$ 256,256

\$ -242,894
7,282,778

\$ 7,039,884

\$ 130,000
40,490
6,869,394

\$ 7,039,884

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
ENTERPRISE FUNDS

As of and For the Year Ended June 30, 2013

	O & M	Sinking	Improvement
Operating Receipts:			
Charges for service	\$ 3,491,377	\$ -	\$ -
Miscellaneous	71,084	-	-
Total Operating Receipts	<u>\$ 3,562,461</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Disbursements:			
Business type activities	\$ 3,477,681	\$ -	\$ 500
Debt service	-	318,695	-
Capital outlay	236,451	-	-
Total Disbursements	<u>\$ 3,714,132</u>	<u>\$ 318,695</u>	<u>\$ 500</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ -151,671</u>	<u>\$ -318,695</u>	<u>\$ -500</u>
Non-Operating Receipts:			
Transfers in	\$ 25,000	\$ 318,695	\$ -
Interest on investments	38,702	-	9,189
Total Non-Operating Receipts	<u>\$ 63,702</u>	<u>\$ 318,695</u>	<u>\$ 9,189</u>
Excess of receipts over disbursements	<u>\$ -87,969</u>	<u>\$ -</u>	<u>\$ 8,689</u>
Operating transfers out	-	-	-247,103
Net change in cash balances	<u>\$ -87,969</u>	<u>\$ -</u>	<u>\$ -238,414</u>
Cash balances beginning of year	2,565,656	-	2,118,163
Cash Balances End of Year	<u>\$ 2,477,687</u>	<u>\$ -</u>	<u>\$ 1,879,749</u>
Cash Basis Fund Balances			
Reserved for consumers' deposits	\$ -	\$ -	\$ -
Reserved for debt service	-	-	-
Unreserved	2,477,687	-	1,879,749
Total Cash Basis Fund Balances	<u>\$ 2,477,687</u>	<u>\$ -</u>	<u>\$ 1,879,749</u>

See notes to financial statements.

Power Source	Consumers' Deposits	Reserve	Communi- cations	Total
\$ -	\$ 3,810	\$ -	\$ 1,013,013	\$ 4,508,200
-	-	-	102,482	173,566
\$ -	\$ 3,810	\$ -	\$ 1,115,495	\$ 4,681,766
\$ -	\$ 2,892	\$ -	\$ 893,400	\$ 4,374,473
-	-	-	-	318,695
-	-	-	52,731	289,182
\$ -	\$ 2,892	\$ -	\$ 946,131	\$ 4,982,350
\$ -	\$ 918	\$ -	\$ 169,364	\$ -300,584
\$ -	\$ -	\$ -	\$ -	\$ 343,695
4,501	180	464	4,654	57,690
\$ 4,501	\$ 180	\$ 464	\$ 4,654	\$ 401,385
\$ 4,501	\$ 1,098	\$ 464	\$ 174,018	\$ 100,801
-	-	-	-96,592	-343,695
\$ 4,501	\$ 1,098	\$ 464	\$ 77,426	\$ -242,894
861,035	39,392	232,443	1,466,089	7,282,778
\$ 865,536	\$ 40,490	\$ 232,907	\$ 1,543,515	\$ 7,039,884
\$ -	\$ 40,490	\$ -	\$ -	\$ 40,490
-	-	-	130,000	130,000
865,536	-	232,907	1,413,515	6,869,394
\$ 865,536	\$ 40,490	\$ 232,907	\$ 1,543,515	\$ 7,039,884

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Grundy Center Municipal Utilities is a city municipal utility for the City of Grundy Center, Iowa. It has a separate governing body, the Board of Trustees, who are appointed for staggered six-year terms by the Mayor and approved by the City Council. The Department maintains its own system of books, records and accounts apart from the City. The City is audited separately.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the non-fiduciary activities of the Utilities. For the most part, the effect of inter-fund activity has been removed from this statement. Business type activities, which rely to a significant extent on fees and charges for services are reported separately.

The Cash Basis Statement of Activities and Net Position presents the Utilities' non-fiduciary net position. Net position is reported in following categories/components:

Nonexpendable Restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the Utility

Expendable Restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements-Separate financial statements are provided for proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Department reports the following major proprietary funds:

Operating and Maintenance Account – The Operating and Maintenance Account is the general operating account. All user fees and other receipts that are not allocated to some other account are recorded in this account. Items paid from this account include general operating expenses, fixed charges and capital improvement costs that are not paid through other accounts.

Sinking Fund Account – The Sinking Fund Account records the payment of interest and principal on the Department's long-term debt.

Improvement Account – This account is for purchases of major capital improvements.

Power Source Account – The Power Source Account is established to accumulate funds to secure an interest in available power from another supply source for future needs of the City.

Consumers' Deposit Account – The Consumers' Deposit Account is utilized to account for consumer deposits received and refunded.

Reserve Account – The purpose of this account is to retain cash reserves for debt service. It is a backup to the Sinking Fund Account, thus ensuring payment of long-term debt.

Communications Account – The Department offers internet, cable TV and telecommunications service to utility customers that desire it. This account was established to record user fees received and operating expenses and capital improvements costs incurred.

C. Measurement Focus and Basis of Accounting

The Grundy Center Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the Department are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and the results of operations of the Enterprise Fund in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

The Department's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Department's investments at June 30, 2013 are as follows:

Certificates of Deposit	Date Matures	Cost	Fair Value
Greenbelt Bank	7-3-13	\$ 500,000	\$ 500,000
Greenbelt Bank	7-3-14	500,000	500,000
Greenbelt Bank	9-19-14	500,000	500,000
Grundy National Bank	6-10-14	600,000	600,000
Grundy National Bank	7-16-14	500,000	500,000
Grundy National Bank	7-16-13	500,000	500,000
Grundy National Bank	1-13-14	500,000	500,000
Grundy National Bank	3-17-14	500,000	500,000
		<u>\$ 4,100,000</u>	<u>\$ 4,100,000</u>

Interest rates on the above CDs range from 0.50% to 1.00%

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – CASH AND POOLED INVESTMENTS (continued)

Securities	Date Matures	Carrying Amount	Fair Value
North Iowa Municipal Electric Cooperative	Indefinite	\$ 120,000	\$ 120,000

In addition, the Department had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$325,606 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The Department’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. The Department requests bids before it makes an investment.

Credit risk – The Department’s investment in the Iowa Public Agency Investment Trust is un-rated. The Department’s investment in the North Iowa Municipal Electric Cooperative is un-rated.

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for revenue notes are as follows:

<u>Year Ending June 30,</u>	Revenue Notes	
	Principal	Interest
2014	\$ 65,000	\$ 7,963
2015	65,000	3,998
Total	<u>\$ 130,000</u>	<u>\$ 11,961</u>

The Telecommunications Revenue Capital Loan Notes are not general obligation notes, nor are they payable in any manner by taxation. They are payable solely and only from the net earnings of the utilities’ receipts.

The Telecommunications Revenue Capital Loan Notes are composed of 140 individual notes of \$5,000 each. Interest payments are made semi-annually and principal payments are made yearly.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – BONDS AND NOTES PAYABLE (continued)

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Transfers shall be made to a sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. The City of Grundy Center is not liable by reason of the failure of the net revenues to be sufficient for the payment of the notes.

NOTE 4 – OTHER OBLIGATIONS

The Communications Fund owes the Operating and Maintenance Fund \$500,000. Interest of \$2,291.67 per month is being paid. The interest rate is 5%. There was a \$25,000 principal payment made during the current fiscal year.

NOTE 5 – PENSION AND RETIREMENT BENEFITS

The Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines IA 50306-9117.

Plan members are required to contribute 5.78% of their annual salary, and the Department is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$40,806, \$35,785 and \$30,097, respectively, equal to the required contributions for each year.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Department until used or paid. The Department's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2013, primarily relating to the operating and management account, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 15,932
Sick leave	9,335
Total	<u>\$ 25,267</u>

This liability has been computed based on rates of pay as of June 30, 2013.

NOTE 7 – OTHER INVESTMENTS

The Department is a member of the North Iowa Municipal Electric Cooperative Association (NIMECA), which uses Corn Belt Power Cooperative of Humboldt, Iowa as a power supply source. NIMECA's desire is to obtain long-term transmission and generation of electric power from a common transmission system to benefit the member utilities. The Department has the following investments with NIMECA and Corn Belt:

- a. In 1983, NIMECA required a cash member advance from the Department in the amount of \$120,000. The cash advance earns interest and surplus and credits from NIMECA.
- b. In 1991, the Department entered into an agreement for the "lease/purchase" from Corn Belt of an interest in electrical generation and transmission facilities. On July 10, 1991, \$1,634,480 was paid to Corn Belt for a .3333% interest in the Neal #4 generating plant and a .4% interest in the Lehigh-Webster transmission facilities. The lease ended June 30, 2007. A new lease was signed August 25, 2011.

Production and transmission capital improvement funds have been established through NIMECA for improvements and expansion of the facilities. The Department paid \$48,418 into these funds as part of its cash disbursements for purchased power during the current year.

The Department's share of the funds accrued interest earnings for the current year amounted to \$1,949. This accrual is not reflected in the current year's cash basis receipts.

The balance in the production and transmission capital improvement funds at June 30, 2013 is \$584,584.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – OTHER INVESTMENTS (continued)

- c. The Department also has accumulated deferred patronage dividends of \$51,036 through its participation with NIMECA and Corn Belt. These accrued deferred patronage dividends are not reflected in the current year's cash basis receipts. During the current fiscal year, Corn Belt paid \$4,318 deferred patronage dividends to the Department.

NOTE 8 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Department assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – RELATED PARTY TRANSACTIONS

The City of Grundy Center pays the Department monthly fees for electricity and telephone. During the current fiscal year, the City of Grundy Center paid \$93,625.

NOTE 10 – CONTINGENCIES

Accounts receivable totaling \$135,081 from the Department utility customers is currently due. \$118,943, or 88%, of that total is over ninety days past due. The Department did not write off any uncollectible accounts during the current fiscal year.

NOTE 11 – INTERFUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
Sinking Fund	Improvement Fund	\$ 247,103
Sinking Fund	Communications Fund	71,592
		<u>\$ 318,695</u>
O & M Fund	Communications Fund	\$ 25,000
Total		<u>\$ 343,695</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 12 – NOTE RECEIVABLE

On November 13, 2010, the Department entered into an agreement with the Grundy Center Development Corporation for a \$100,000 interest free loan for the development of a new housing addition to the City of Grundy Center. The loan will be repaid at the rate of \$5,000 per lot as they are sold. The Department received \$10,000 from lot sales during the current fiscal year.

NOTE 13 – SUBSEQUENT EVENTS

Management evaluated subsequent events through November 5, 2013, which is the date the financial statements were available to be issued.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The Department operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 10 active members and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Department. The Department currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Department and plan member are \$1,287.34 for single coverage and \$1,929.12 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the Department contributed \$200,550 and plan members eligible for benefits contributed \$0 to the plan.

OTHER INFORMATION

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

COMPARISON OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
ACTUAL TO BUDGET – ENTERPRISE FUND
Year Ended June 30, 2013

	Actual	Budget	Variance Favorable (Unfavorable)	Net as % of Budget
Receipts:				
Charges for service	\$ 4,508,200	\$ 3,251,100	\$ 1,257,100	39%
Other income	231,256	208,500	22,756	11%
Total Receipts	<u>\$ 4,739,456</u>	<u>\$ 3,459,600</u>	<u>\$ 1,279,856</u>	<u>37%</u>
Disbursements:				
Electric and Telecommunications	<u>\$ 4,982,350</u>	<u>\$ 7,722,350</u>	<u>\$ 2,740,000</u>	
Excess of receipts over disbursements	<u>\$ -242,894</u>	<u>\$ -4,262,750</u>		
Balance beginning of year	<u>\$ 7,282,778</u>			
Balance End of Year	<u>\$ 7,039,884</u>			

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
June 30, 2013

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

The budget certified by the City of Grundy Center includes an amount budgeted for the Utilities.

SUPPLEMENTAL INFORMATION

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Receipts:		
Charges for Service:		
Sale of Electricity:		
Residential	\$ 1,822,037	\$ 1,738,930
Commercial	585,980	604,356
Total Electrical Receipts	<u>\$ 2,408,017</u>	<u>\$ 2,343,286</u>
Miscellaneous:		
Water collection	\$ 569,936	\$ 519,979
Garbage collection	194,132	191,131
Sewer rental collection	191,938	192,358
Sales tax	127,354	125,539
Interest received	38,702	51,256
Miscellaneous receipts	71,084	489,303
Total Miscellaneous Receipts	<u>\$ 1,193,146</u>	<u>\$ 1,569,566</u>
Total Receipts	<u>\$ 3,601,163</u>	<u>\$ 3,912,852</u>
Collections Transferred to City:		
Water	\$ 569,936	\$ 583,334
Garbage	194,572	191,131
Sewer rental	191,938	192,358
Meter rent	9,610	9,450
Sales tax	41,310	40,854
Local option tax	23,821	21,205
Sales tax paid to State	66,988	54,728
	<u>\$ 1,098,175</u>	<u>\$ 1,093,060</u>
Net Receipts From Operations	<u>\$ 2,502,988</u>	<u>\$ 2,819,792</u>
Disbursements:		
Electric:		
Administration:		
Salaries:		
Superintendent	\$ 66,378	\$ 64,235
Trustees' fees	2,100	1,800
	<u>\$ 68,478</u>	<u>\$ 66,035</u>
Employee Benefits:		
FICA/Medicare	\$ 30,784	\$ 29,471
IPERS	34,178	30,255

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Disbursements: (continued)		
Electric: (continued)		
Administration: (continued)		
Employee Benefits: (continued)		
Group insurance and claims	\$ 213,220	\$ 182,090
Uniform expense	2,887	2,813
	<u>\$ 281,069</u>	<u>\$ 244,629</u>
Regulatory Commission:		
Fees and supplies	\$ 4,047	\$ 4,008
PCB	4,303	1,962
	<u>\$ 8,350</u>	<u>\$ 5,970</u>
Vehicle Expense:		
Gasoline and oil	\$ 9,956	\$ 8,983
Repairs and supplies	7,881	8,476
	<u>\$ 17,837</u>	<u>\$ 17,459</u>
Other Expenditures:		
Insurance	\$ 58,239	\$ 55,283
Telephone	3,908	3,865
Legal fees	377	224
Audit fee	2,775	2,450
Travel and training	938	2,132
Use tax	8,177	10,502
Dues	4,218	3,565
Publications	893	852
Office maintenance and supplies	909	676
Miscellaneous	19,638	75,374
	<u>\$ 100,072</u>	<u>\$ 154,923</u>
Capital Outlay:		
Structure and improvements	\$ 12,118	\$ 28,922
Office equipment	5,417	4,557
Tools, shop and garage equipment	21,790	30,812
Miscellaneous equipment	15,915	10,838
Transportation equipment	386	107
	<u>\$ 55,626</u>	<u>\$ 75,236</u>
Total Administration	<u>\$ 531,432</u>	<u>\$ 564,252</u>
Purchased power	<u>\$ 1,447,485</u>	<u>\$ 1,435,171</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Disbursements: (continued)		
Electric: (continued)		
Generation:		
Salaries:		
Operators	\$ 732	\$ 518
Plant maintenance	53,180	57,908
	\$ 53,912	\$ 58,426
Other Expenditures:		
Plant maintenance – material	\$ 3,422	\$ 925
Fuel and oil	31,344	2,923
Supplies	4,511	1,761
	\$ 39,277	\$ 5,609
Total Generation	\$ 93,189	\$ 64,035
Distribution:		
Line labor	\$ 195,055	\$ 177,894
Other Expenditures:		
Supplies	\$ 29,202	\$ 1,761
Consumer Accounts Expense:		
Meter reading-labor	\$ 6,348	\$ 3,858
Accounting and collection-labor	91,509	85,641
Supplies and postage	23,987	25,887
Returned checks	5,728	6,916
Miscellaneous	11,197	11,806
	\$ 138,769	\$ 134,108
Capital Outlay:		
Overhead conductors and devices	\$ 8,744	\$ 18,706
Underground conductors and conduit	28,724	115,854
Transformers	19,675	27,132
Distribution structures	2,433	2,397
Meters	10,284	8,156
Street lights	11,721	6,368
Special projects	99,244	327,419
	\$ 180,825	\$ 506,032

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT

Years Ended June 30, 2013 and 2012

	2013	2012
Disbursements: (continued)		
Total Distribution	\$ 543,851	\$ 819,795
Total Expenses	\$ 2,615,957	\$ 2,883,253
Excess of receipts over disbursements	\$ -112,969	\$ -63,461
Other Financing Sources (Uses):		
Transfer in (out)	\$ 25,000	\$ 25,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -87,969	\$ -38,461
Balance beginning of year	2,565,656	2,604,117
Balance End of Year	\$ 2,477,687	\$ 2,565,656

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
SINKING FUND ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Receipts	\$ -	\$ -
Disbursements:		
Electric:		
Electric Revenue Capital Loan Notes:		
Principal payments	\$ 235,000	\$ 220,000
Interest payments	12,103	23,323
	<u>\$ 247,103</u>	<u>\$ 243,323</u>
Telecommunications:		
Telecommunications Revenue Capital Loan Notes:		
Principal payments	\$ 6,000	\$ 55,000
Interest payments	11,592	14,892
	<u>\$ 71,592</u>	<u>\$ 69,892</u>
Total Disbursements	<u>\$ 318,695</u>	<u>\$ 313,215</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -318,695</u>	<u>\$ -313,215</u>
Other Financing Sources (Uses):		
Transfer from Improvement Fund Account	\$ 247,103	\$ 243,323
Transfer from Communications Fund Account	71,592	69,892
	<u>\$ 318,695</u>	<u>\$ 313,215</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ -	\$ -
Balance beginning of year	-	-
Balance End of Year	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
IMPROVEMENT ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Receipts:		
Interest	\$ 9,189	\$ 16,651
Disbursements:		
Electric	\$ 500	\$ 500
Excess of receipts over disbursements	\$ 8,689	\$ 16,151
Other Financing Sources (Uses):		
Transfer to Sinking Fund Account	\$ -247,103	\$ -243,323
	\$ -247,103	\$ -243,323
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -238,414	\$ -227,172
Balance beginning of year	2,118,163	2,345,335
Balance End of Year	\$ 1,879,749	\$ 2,118,163

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
POWER SOURCE ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Receipts:		
Interest	\$ 4,501	\$ 3,704
Disbursements:		
Electric	\$ -	\$ -
Excess (deficiency) of receipts over (under) disbursements	\$ 4,501	\$ 3,704
Balance beginning of year	861,035	857,331
Balance End of Year	\$ 865,536	\$ 861,035

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
CONSUMERS' DEPOSIT ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Receipts:		
Consumers' deposits	\$ 3,810	\$ 2,975
Interest	180	180
Total Receipts	<u>\$ 3,990</u>	<u>\$ 3,155</u>
Disbursements:		
Electric:		
Consumers' deposit refunds	\$ 2,857	\$ 2,765
Interest paid on consumers' deposits	19	19
Miscellaneous	16	-
Total Disbursements	<u>\$ 2,892</u>	<u>\$ 2,784</u>
Excess of receipts over disbursements	\$ 1,098	\$ 371
Balance beginning of year	<u>39,392</u>	<u>39,021</u>
Balance End of Year	<u>\$ 40,490</u>	<u>\$ 39,392</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
RESERVE ACCOUNT

Years Ended June 30, 2013 and 2012

	2013	2012
Receipts:		
Interest	\$ 464	\$ 464
Disbursements:		
Electric	\$ -	\$ -
Excess of receipts over disbursements	\$ 464	\$ 464
Balance beginning of year	232,443	231,979
Balance End of Year	\$ 232,907	\$ 232,443

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
COMMUNICATIONS ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Receipts:		
Miscellaneous	\$ 102,482	\$ 112,191
Interest	4,654	7,410
Internet fees	379,839	367,732
Cable TV fees	364,152	354,130
Telephone fees	252,542	262,622
Tax	16,480	17,142
Total Receipts	<u>\$ 1,120,149</u>	<u>\$ 1,121,227</u>
Disbursements:		
Telecommunications:		
Internet/phone/cable charges	\$ 680,045	\$ 651,662
Wages	92,134	71,836
Supplies	17,362	55,969
Franchise fee	10,624	10,085
Interest paid	26,250	27,500
Telephone	2,936	3,022
Payroll taxes and benefits	13,676	11,026
Equipment	52,731	14,464
Miscellaneous	1,462	2,757
Sales and other taxes paid	16,939	17,624
E911 fees	10,890	11,265
Legal fees	4,377	2,498
Dues	2,066	1,616
Audit	2,350	2,200
Trustees' compensation	2,100	1,800
Insurance	4,297	4,187
Repairs and maintenance	314	22,668
Travel	5,578	5,950
Total Disbursements	<u>\$ 946,131</u>	<u>\$ 918,129</u>
Excess of receipts over disbursements	<u>\$ 174,018</u>	<u>\$ 203,098</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
COMMUNICATIONS ACCOUNT
Years Ended June 30, 2013 and 2012

	2013	2012
Other Financing Sources (Uses):		
Transfer to O & M Fund Account	\$ -25,000	\$ -25,000
Transfer to Sinking Fund Account	-71,592	-69,892
Total Other Financing Sources (Uses)	<u>\$ -96,592</u>	<u>\$ -94,892</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 77,426	\$ 108,206
Balance beginning of year	<u>1,466,089</u>	<u>1,357,883</u>
Balance End of Year	<u>\$ 1,543,515</u>	<u>\$ 1,466,089</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2013

Obligation

Electric Revenue Capital Loan Notes:

Date of Issue	July 1, 1998
Interest Rate	4.20-5.15%
Amount originally issued	<u>\$ 2,555,000</u>
Balance beginning of year	<u>\$ 235,000</u>
Issued during year	-
Redeemed during year	<u>-235,000</u>
Balance End of Year	<u>\$ -</u>
Interest Paid	<u>\$ 12,103</u>
Interest Due and Unpaid	<u>\$ -</u>

Telecommunications Revenue Capital Loan Notes:

Date of Issue	Mar 1, 2000
Interest rate	5.00-6.15%
Amount originally issued	<u>\$ 700,000</u>
Balance beginning of year	<u>\$ 190,000</u>
Issued during year	-
Redeemed during year	<u>-60,000</u>
Balance End of Year	<u>\$ 130,000</u>
Interest Paid	<u>\$ 11,592</u>
Interest Due and Unpaid	<u>\$ -</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

BOND AND NOTE MATURITIES
June 30, 2013

Revenue Notes		
Telecommunications		
Issued March 1, 2000		
Year Ending June 30,	Interest Rates	Amount
2014	6.10%	\$ 65,000
2015	6.15%	65,000
Total		<u>\$ 130,000</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION – CASH BASIS
PROPRIETARY FUNDS – ENTERPRISE FUNDS

For the Last Ten Years

	2013	2012	2011	2010
Receipts:				
Interest	\$ 57,690	\$ 79,665	\$ 152,524	\$ 146,767
Transfers in	343,695	338,215	342,092	619,624
Charges for service	4,508,200	4,459,915	4,517,900	4,354,264
Miscellaneous	173,566	518,473	153,515	215,997
Total	<u>\$ 5,083,151</u>	<u>\$ 5,396,268</u>	<u>\$ 5,166,031</u>	<u>\$ 5,336,652</u>
Disbursements:				
Operating:				
Business type activities	<u>\$ 5,326,044</u>	<u>\$ 5,549,156</u>	<u>\$ 5,485,316</u>	<u>\$ 4,830,783</u>
Total	<u>\$ 5,326,044</u>	<u>\$ 5,549,156</u>	<u>\$ 5,485,316</u>	<u>\$ 4,830,783</u>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004
\$ 198,891	\$ 310,868	\$ 344,002	\$ 202,617	\$ 129,291	\$ 92,107
636,986	393,638	653,710	314,592	319,271	813,226
4,284,193	4,300,174	3,089,239	3,237,371	2,848,242	2,763,910
287,959	350,432	320,922	377,161	582,723	1,183,392
<u>\$ 5,408,029</u>	<u>\$ 5,355,112</u>	<u>\$ 4,407,873</u>	<u>\$ 4,131,741</u>	<u>\$ 3,879,527</u>	<u>\$ 4,852,635</u>
<u>\$ 5,203,676</u>	<u>\$ 4,856,137</u>	<u>\$ 4,029,471</u>	<u>\$ 3,521,320</u>	<u>\$ 3,530,492</u>	<u>\$ 3,660,283</u>
<u>\$ 5,203,676</u>	<u>\$ 4,856,137</u>	<u>\$ 4,029,471</u>	<u>\$ 3,521,320</u>	<u>\$ 3,530,492</u>	<u>\$ 3,660,283</u>

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Grundy Center Municipal Utilities

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the Utilities' basic financial statements, and have issued my report thereon dated November 5, 2013. My report expressed an unmodified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Grundy Center Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grundy Center Municipal Utilities' internal control. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Municipal Utilities' internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Grundy Center Municipal Utilities' financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item 2013-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy Center Municipal Utilities' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances for non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utilities. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Grundy Center Municipal Utilities' Responses to Findings

Grundy Center Municipal Utilities' responses to findings identified in my audit are described in the accompanying Schedule of Findings. Grundy Center Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Grundy Center Municipal Utilities during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

November 5, 2013

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

2013-01 Segregation of Duties-One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation-I realize that with a limited number of office employees, segregation of duties is difficult. However, the Department should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response-We will continue to monitor this.

Conclusion-Response acknowledged. The Department should continue to segregate duties to the extent possible with existing personnel and utilize the Board of Trustees to provide additional control through review of financial transactions and reports.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget-Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.
- II-B-13 Questionable Disbursements-I noted no disbursements that would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-13 Travel Expense-No disbursements of Department money for travel expenses of spouses of Department officials were noted.
- II-D-13 Business Transactions-No business transactions between the Department and Department officials or employees are reported.
- II-E-13 Bond Coverage-Surety bond coverage of Department officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes-No transactions were found that I believe should have been approved in the Board minutes but were not.

Finding-The minutes did not include the purpose of the expenditure, a total for the expenditures from each fund, and a summary of all receipts. Also, annual gross salaries were not published in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation-The Department should comply with Chapter 21 of the Code of Iowa and should publish minutes and salaries as required.

Response-We will publish minutes and salaries as required.

Conclusion-Response accepted.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-G-13 Deposits and Investments-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Department's investment policy were noted.
- II-H-13 Revenue Bonds and Notes-The Department has complied with the revenue bond and note resolutions.
- II-I-13 Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.